



**Finance Committee  
Electronic Meeting**

**Council Chambers, City Hall  
6911 No. 3 Road**

**Monday, March 7, 2022  
Immediately following General Purposes Committee**

Pg. #      ITEM

MINUTES

**FIN-3**      *Motion to adopt the **minutes** of the meeting of the Finance Committee held on February 7, 2022.*



FINANCE AND CORPORATE SERVICES DIVISION

1.      **2021 ANNUAL PROCUREMENT REPORT**  
(File Ref. No. 02-0745-01/) (REDMS No. 6815808)

**FIN-8**

**See Page FIN-8 for full report**

*Designated Speaker: David Aarons*

STAFF RECOMMENDATION

*That the staff report titled “2021 Annual Procurement Report”, dated February 7, 2022, from the Acting Director of Finance, be received for information.*



2. **REFERRAL RESPONSE – INVESTMENT POLICY AND PORTFOLIO REVIEW**

(File Ref. No. 03-0900-01) (REDMS No. 6840097)

**FIN-18**

See Page **FIN-18** for full report

*Designated Speaker: Venus Ngan*

**STAFF RECOMMENDATION**

- (1) *That the staff report titled “Referral Response – Investment Policy and Portfolio Review”, dated February 9, 2022, from the Acting Director, Finance, be received for information; and*
- (2) *That staff be directed to conduct the required review and assessment in order to facilitate Council in considering the MFA Long-Term Diversified Multi-Asset Class Fund.*

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3. **2021 INVESTMENT REPORT**

(File Ref. No. 03-0900-01) (REDMS No. 6836635)

**FIN-31**

See Page **FIN-31** for full report

*Designated Speaker: Venus Ngan*

**STAFF RECOMMENDATION**

*That the staff report titled “2021 Investment Report”, dated February 9, 2022, from the Acting Director, Finance, be received for information.*

☐

**ADJOURNMENT**

☐



## Finance Committee

Date: Monday, February 7, 2022

Place: Council Chambers  
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair  
Councillor Chak Au  
Councillor Carol Day  
Councillor Andy Hobbs  
Councillor Alexa Loo  
Councillor Bill McNulty  
Councillor Linda McPhail (by teleconference)  
Councillor Harold Steves (by teleconference)  
Councillor Michael Wolfe (by teleconference)

Call to Order: The Chair called the meeting to order at 5:20 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on January 5, 2022, be adopted as circulated.*

**CARRIED**

### FINANCE AND CORPORATE SERVICES DIVISION

#### 1. CESSATION OF CASH TRANSACTIONS AT CITY HALL

(File Ref. No. 03-0905-01) (REDMS No. 6771220)

It was moved and seconded

*That the City no long accept cash payments for transactions at City Hall effective immediately.*

**CARRIED**

**LULU ISLAND ENERGY COMPANY**

**2. LULU ISLAND ENERGY COMPANY – 2022 OPERATING AND CAPITAL BUDGETS**

(File Ref. No. 10-6600-10-01) (REDMS No. 6748826)

It was moved and seconded

*That the Lulu Island Energy Company report titled “Lulu Island Energy Company- 2022 Operating and Capital Budgets”, dated January 6, 2021 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.*

**CARRIED**

**RICHMOND OLYMPIC OVAL CORPORATION**

**3. RICHMOND OLYMPIC OVAL CORPORATION – 2022 ANNUAL OPERATING AND CAPITAL BUDGETS**

(File Ref. No. 6826026) (REDMS No.)

Discussion ensued with regard to funding allocated to marketing and sidewalk and accessibility improvements.

It was moved and seconded

*That the report on the 2022 Annual Operating and Capital Budgets for the Richmond Olympic Oval Corporation from the Director, Finance, Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

Opposed: Cllr. Day

**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (5:25 p.m.).*

**CARRIED**

**Finance Committee**  
**Monday, February 7, 2022**

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Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, February 7, 2022.

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Mayor Malcolm D. Brodie  
Chair

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Evangel Biason  
Legislative Services Associate



# City of Richmond

## Report to Committee

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<b>To:</b>	Finance Committee	<b>Date:</b>	February 7, 2022
<b>From:</b>	Ivy Wong Acting Director, Finance	<b>File:</b>	02-0745-01/2022-Vol 01
<b>Re:</b>	<b>2021 Annual Procurement Report</b>		

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### Staff Recommendation

That the staff report titled, "2021 Annual Procurement Report", dated February 7, 2022 from the Acting Director of Finance, be received for information.

Ivy Wong  
Acting Director, Finance  
(604-276-4046)

Att. 1

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Information Technology	<input checked="" type="checkbox"/>	 Acting GM, F&CS
Parks Services	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Facilities and Project Development	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
<b>REVIEWED BY SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b> 	<b>APPROVED BY CAO</b> 

## Staff Report

### Origin

This report to Council is to provide information regarding the City's procurement activities during the 2021 calendar year and procurement metrics. This report supports Council's Strategic Plan 2018–2022 Strategy #5 Sound Financial Management:

*Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*

*5.1 Maintain a strong and robust financial position.*

*5.3 Decision-making focuses on sustainability and considers circular economy principles.*

### Analysis

Council approval for Purchasing contracts follows Bylaw No. 8215 - Officer and General Manager with respect to contract approval authority limits and contract signing authority. The City continues to promote a commitment to process transparency, competitive bidding, sustainable procurement and a philosophy of continuous improvement.

The Purchasing Department oversees the procurement of all goods and services on behalf of all City departments (and wholly-owned municipal corporations upon request) in compliance with certain Trade Treaties (i.e. the Canadian Free Trade Agreement (CFTA), the Canada-EU Comprehensive Economic Agreement (CETA) and the New West Partnership Trade Agreement (NWPTA) that affect City procurement activities.

The City continues to use its online eProcurement platform (known as bids&tenders) to advertise bid opportunities and receive submissions from suppliers. The bids&tenders platform is already providing the expected improvements to the City's procurement workflow and contract administration activities.

The City's Procurement Policy was updated in 2021 following a referral from Council to provide guidance to staff on how circular economy considerations can be reflected in the City's procurement activities in the future. In the past year, the Purchasing Department has worked in conjunction with other City departments to include circular economy principles in bid specifications where appropriate and within the decision-making process when awarding contracts. The City continues to refine its approach to circular procurement based on how suppliers are responding to bids, given that the circular economy is an emerging concept and many suppliers are still learning how to submit proposals that are also aligned with the City's vision for the circular economy.

As part of the effort to mitigate the effects of Covid-19, significant volumes of PPE (Personal Protective Equipment) supplies and equipment (such as cleaning supplies, face masks, hand sanitizer, additional dispensers and plexiglass) were procured to help maintain safe workplaces

throughout the City. PPE supplies have been continuously provided for staff and the public to use at City buildings since the start of the pandemic, including at all community centres, fire halls, libraries, ice arenas and aquatic facilities. With the additional product-related information that is now available, future purchases will be more targeted.

The Procurement Policy 3104, along with the purchasing guidelines, continue to augment the City's collaborative approach to strategic sourcing and decision making on significant expenditures, while also ensuring compliance to established policies and controls.

# 1. Procurement Achievements

The Purchasing Department continues to focus on delivering value through competitive tendering and leveraging spend where possible to execute contracts that support Council initiatives and department needs and that mitigate risk for the City. This information is reported by staff in the City's quarterly reporting and detailed vendor spend in the Annual Statement of Financial Information report.

Some of the key contracts that were executed in 2021 following a procurement process led by the Purchasing Department working with stakeholders are listed below:

<b>Contract #</b>	<b>Item</b>	<b>Tender Value</b>
7023P	Provision of Civil Engineering Consulting Services for Steveston Sanitary Network Improvements	\$1,481,085
6951P	Cambie Road at Knight Street Overpass Approach Rehabilitation	\$987,943
7197CM	Construction Management Services for Richmond Animal Shelter Renovation and Expansion	\$4,288,034
6881P	No. 4 Rd Road Reconstruction and Box Culvert Repair	\$2,478,477
6488P	Construction Services for Alexandra Neighbourhood Park	\$1,420,829
7193Q	Construction Management Services for the Demolition of Minoru Aquatics Centre	\$902,815
7127P	Construction Services for Minoru Arenas Infrastructure Replacement Project	\$945,000
6935P	Construction Services for Aberdeen Neighbourhood Park – Phase 2	\$1,947,618
7096P	Steveston Hwy and No. 3 Rd. & Steveston Hwy and Gilbert Rd. Drainage Pump Station Upgrades	\$4,187,000
7097P	Construction Services for South Dike Upgrade - No. 3 Road to 400m West of No. 4 Road	\$2,369,628



38J	Richmond Curling Club Ice Plant Replacement Construction Services	\$1,056,524
7099P	MRN and Non-MRN Asphaltic Concrete Paving 2021	\$4,251,251

### Procurement Statistics

The following are key procurement statistics for the period of January 1, 2021 to December 31, 2021:

Total Value of Competitive Bid Awards 2021	
(contracts awarded in excess of \$75,000) - Appendix 1	\$66,917,350
Competitive Contracts Administered (in excess of \$75,000)	123
Total Value of all Purchase Orders Issued in 2021	\$70,590,136
Single/Sole Source Purchase Orders Issued*	\$11,160,276
Purchasing Card Expenditures	\$5,918,493

\* Sole source procurement is the practice of contracting with one source when that source is the only available supplier or service provider possessing the ability to fulfil a requirement. Single source procurement is defined as deliberately concentrating purposes of a particular good or service with one source in preference over others in a competitive marketplace.

## 2. Council Approved Contracts

Council approval for Purchasing contracts follows Bylaw No. 8215 - Officer and General Manager. Contracts that were approved by Council in 2021 are listed below:

Contract #	Item	Tender Value
6577P	On Call Collection of Hazardous Materials	\$650,000
7020Q	Supply and Delivery of HVAC Air Filters	\$734,874
7191NOITC	Oracle Database Software and Solaris Hardware Purchase	\$850,000
7036Q	Supply and Delivery of Microsoft Licensing	\$807,882
7181Q	Supply and Installation of Conduits and Water Service Pipes using Trenchless Technology and Other Related Civil Works	\$4,548,000
7204P	Provision of Public E-Scooter Share Pilot Project	n/a
6650P	Data Analytics Business Intelligence Implementation	\$1,212,008
7256P	Traffic Signal System Maintenance, Upgrading and Installation	\$6,878,729
6691Q	Supply and Delivery of One (1) Sewer Vacuum Combo Unit on a City Provided Cab and Chassis	\$760,000
6437F	Supply of Drainage Pumps, Parts and Services	\$2,510,000
7248P	Provision of Janitorial Services for the Community Safety Building and City Centre Community Police Office	\$1,625,613

6690Q	Supply and Delivery of Hybrid and/or Fully Electric Crew Cab Pickup Trucks	\$541,584
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### 3. Competitive Bidding

The Purchasing Department facilitates the acquisition of goods, services and construction to meet internal organizational requirements and City projects through sourcing suppliers, facilitating competitive tenders and executing contracts that help ensure financial and administrative effectiveness.

In 2021, approximately \$67M in contracts in excess of \$75,000 were awarded by the Purchasing Department on behalf of other City departments (listed in Appendix 1).

### 4. Purchasing Card Program

The City-wide Purchasing Card Program continues to provide value by simplifying the purchasing and payment process while lowering overall transaction and administrative costs per purchase.

In 2021, City purchasing cards were used for over 15,150 transactions for a total spend of approximately \$5.9M. This represents an increase of approximately 6% in purchase card spend over the previous year and a rebate received by the City that was approximately \$56K in value.

### 5. Sole/Single Source Contract Awards

The vast majority of sole/single source contracts awarded in 2021 were executed on the basis of compatibility with existing City infrastructure and systems. Of the \$66,917,350 in contracts in excess of \$75,000 awarded in 2021, \$11,107,447 of those contracts were awarded on a sole or single source basis.

For further transparency, \$4,630,121 of the single/sole source contracts were awarded following the public posting of a Notice of Intent to Contract (NOITC) on BC Bid.

These statistics demonstrate that the City is successful in achieving on its core objectives of conducting a competitive and transparent procurement process, while maximizing value for money in the acquisition of goods and services.

## **Financial Impact**

None.

### **Conclusion**

This procurement report covers the period from January 1, 2021 to December 31, 2021 and documents the City of Richmond's procurement activities.



David Aarons  
Manager, Purchasing  
(604-276-4061)

Attachment 1: Contracts awarded in 2021 (in excess of \$75,000)

**Contracts awarded in 2021 (in excess of \$75,000)**

#	Descriptions	Awarded Vendor	Awarded Amount
1	7129F - Dike Improvements - 19000 Block River Road - Environmental and Construction Consulting	Kerr Wood Leidal Associates Limited	\$95,800
2	7123S - Citizen Portal - My Business Implementation	Calytera Software Inc.	\$153,596
3	7023P - Provision of Civil Engineering Consulting Services for Steveston Sanitary Network Improvements	McElhanney Consulting Services Ltd.	\$1,481,085
4	6951P - Cambie Road at Knight Street Overpass Approach Rehabilitation	Wilco Civil Inc.	\$987,943
5	7174J - London Farm House Envelope Remediation	Boston Construction Corp.	\$177,330
6	7126NOITC - iPad Device Deployment	Apple Canada Inc.	\$157,550
7	6577P - On Call Collection of Hazardous Materials	Tervita Corporation & GFL Environmental Inc.	\$650,000
8	7173F - Watermain Construction at Westminster Highway and Gilbert Road	Cascade City LP	\$191,176
9	7169S - Enterprise License Agreement - Software Maintenance and Support	ESRI Canada	\$382,185
10	7039P - Engineering Consulting Services for Sanitary Pump Station Condition Assessment (Phase 1)	WSP Canada Inc.	\$104,330
11	6561Q - Supply and Delivery of Two (2) Two Ton Crew Cab Dump Trucks	Dams Ford Lincoln Sales Ltd.	\$235,050
12	7199F - PeopleSoft Software License Renewal	Oracle Canada	\$311,055
13	7198J - Thompson Community Centre - Mechanical and Washroom Upgrades	Boston Construction Corporation	\$463,780
14	7197CM - Construction Management Services for Richmond Animal Shelter Renovation and Expansion	Edifice Construction Inc.	\$4,288,034
15	7195F - Seismic Flood Hazard Assessment	Kerr Wood Leidal Associates Limited	\$100,000
16	7187S - Vote Counting Units & Software for 2021 By-Election	Election Systems & Software Canada ULC	\$75,710
17	7185J - Richmond Ice Centre Infrastructure Renewals - Phase I Compressor Replacement	Ashton Mechanical Ltd.	\$725,335
18	7139NOITC - ForgeRock Licensing	ForgeRock US Inc.	\$462,773
19	7180F - Water Treatment Services at City Facilities	Pace Solutions Corp.	\$75,450
20	6952P - Richmond Ice Centre Infrastructure Renewal Consulting Services Phase I	Thinkspace Architecture Planning Interior Design	\$175,300

22	6819Q - On Call Entrance Door Services	Assa Abloy Entrance Systems	\$181,800
23	6728P - Provision of Broker Services	Willis Canada Inc.	\$219,000
24	6692Q - Supply and Delivery of One (1) Enclosed Tractor with a 16ft Flail Mower	Rollins Machinery Ltd.	\$174,755
25	7235F - Supply of Benches	Frances Andrew Site Finishings Ltd.	\$105,000
26	7211F - Repair and Replacement of Direct Digital Controls Systems at City Facilities	ESC Automation Inc.	\$169,000
27	7205F - Property Management Services	Dorset Realty Group Canada Ltd.	\$93,600
28	7175Q - Support and Maintenance on Sixteen (16) City Owned VxRail Servers	Turning Point Technologies	\$124,577
29	7143S - PerfectMind Annual Subscription 2021	PerfectMind Inc.	\$175,036
30	7083P - Consulting Services for Development Cost Charge Program	Urban Systems Ltd.	\$98,040
31	7081NOITC - Support and Maintenance Renewal	Safe Software Inc.	\$92,020
32	7048P - Hydrogeological and Biophysical Assessment Consulting Services for Richmond Nature Park	Hemmera Envirochem Inc.	\$165,651
33	7014F - Amanda Software Renewal Services	Calytera Software Inc.	\$92,778
34	6977Q - Supply and Installation of Two (2) Custom Dell VxRail Servers	Turning Point Technology Services Inc	\$122,373
35	6569Q - Supply & Delivery of One (1) Skid Steer Loader with Rubber Tracks	Avenue Machinery Corp.	\$82,950
36	7218S - Operation of Restorative Justice Program	Touchstone Family Association	\$100,700
37	7217F - Traffic Camera Licenses	FLIR Unmanned Aerial Systems ULC	\$76,067
38	7190NOITC - Supply and Delivery of Aquaterr and Toro Irrigation Components	EMCO Corporation	\$250,000
39	6722P - Supply and Delivery of Computer Equipment	Compugen Inc.	\$845,910
40	7118Q - Street and Sidewalk Vegetation Control	Western Weed Control (1980) Ltd	\$337,800
41	7247Q - Bates East Sanitary Pipe Relining	Mar-Tech Underground Services Ltd.	\$87,304
42	7243F - Gilbert Road and Steveston Hwy Drainage Pump Station Upgrade	Xylem Canada Company	\$332,958

43	7238S - Thompson Gate PRV Station - Annacis Main No. 4 Connection	Greater Vancouver Water District	\$123,600
44	7201NOITC - Environmental Consultant Services - Mitchell Island Storm Water Feasibility Study	Kerr Wood Leidal Associates Limited	\$90,000
45	7191NOITC - Oracle Database Software and Solaris Server Hardware Purchase	Oracle & Eclipsys	\$850,000
46	7171Q - Design Services - Minoru Arenas System Renewals	Thinkspace Architecture Planning Interior Design	\$114,400
47	7093P - Richmond Courthouse Infrastructure Replacements - Design & Contract Administration Services	O4 Architecture Ltd.	\$187,370
48	7020Q - Supply and Delivery of HVAC Filters	Dafco Filtration Group	\$734,874
49	6924P - City Hall Low-Rise HVAC and Plumbing Replacements	Davidson Brothers Mechanical Contractors Ltd.	\$276,933
50	6881P - No. 4 Rd Road Reconstruction and Box Culvert Repair	M2K Construction Ltd.	\$2,478,477
51	6488P - Construction Services for Alexandra Neighbourhood Park	GPM Civil Contracting Inc.	\$1,420,829
52	7262S - Supply and Delivery of Auto Extrication Rescue Tools	Rescue Tools Canada	\$78,134
53	7078S - Burkeville Drainage Upgrade Project Phase 2	Fortis BC Energy Inc.	\$345,050
54	7036Q - Microsoft Licensing	Dell Canada Inc.	\$787,316
55	7193Q - Construction Management Services for the Demolition of Minoru Aquatics Centre	Scott Special Projects Ltd.	\$902,815
56	7253Q - Odlin Park Playground Design Build Services	Habitat Systems Inc.	\$135,093
57	7127P - Construction Services for Minoru Arenas Infrastructure Replacement Project	Heatherbrae Builders Co.Ltd.	\$945,000
58	7255F - Construction Services - Paving Repair on Westminster Highway & Gilley Road	Brighthouse Civil Contracting Ltd.	\$117,263
59	7220F - Fire Risk Prevention Model	Opta Information Intelligence	\$79,000
60	7260F - Artificial Turf Replacement - Richmond High	Astro Turf West Distributors Ltd.	\$443,000
61	7263F - Emergency Repair - Sanitary Sewer Line 8000 Block Capstan Way	PW Trenchless Construction Inc.	\$200,000
62	7252Q - Public Works 2021 Truck Rentals	Zeemac Vehicle Lease Ltd.	\$82,050
63	7207P - Supply and Installation of Synthetic Turf at King George Park	Astro Turf West Distributors Ltd.	\$647,578

64	6935P - Construction Services for Aberdeen Neighbourhood Park – Phase 2	Wilco Civil Inc.	\$1,947,618
65	7096P - Steveston Hwy and No. 3 Rd. & Steveston Hwy and Gilbert Rd. Drainage Pump Station Upgrades	GCL Contracting & Engineering Inc.	\$4,187,000
66	7229Q - Supply and Delivery of Self Contained Breathing Apparatus (SCBA)	Guillevin International Inc.	\$165,066
67	7066P - Invasive Species Management Services	Green Admiral Nature Restoration	\$400,000
68	7097P - Construction Services for South Dike Upgrade - No. 3 Road to 400m West of No. 4 Road	RTR Terra Contracting Ltd.	\$2,369,628
69	7061P - Consulting Services for 2020 Bus Speed and Reliability Development Study	ISL Engineering & Land Services	\$134,580
70	7104P - Engineering Consulting Services for South Dike Upgrades from No. 4 Road to No. 5 Road	Kerr Wood Leidal Associates Ltd.	\$682,962
71	7244P - Steveston Island Preliminary Dike Design Project	Kerr Wood Leidal Associates Ltd.	\$500,000
72	6687Q - Supply and Delivery of Two (2) 3/4 Ton Crew Cab Pickup Trucks	Abbotsford Chrysler Dodge Jeep Ram Ltd.	\$103,424
73	31IQ - Garden City Lands Native Planting	Peel's Nurseries Ltd.	\$95,943
74	18F - Oracle PeopleSoft Financials License Expansion - 2021	Oracle Canada ULC	\$75,015
75	19J - Thompson Community Hall - HVAC Upgrades	Boston Construction Corp.	\$184,862
76	20J - Construction Services for City Works Yard Improvements - Phase 1	Boston Construction Corp.	\$869,292
77	6565Q – Supply and Delivery of Plug-In Hybrid and Fully Electric Passenger Sedans and Hatchback Vehicles	Metro Motors Ltd. & Abbotsford Hyundai	\$306,430
78	23J - Community Safety Building Component Replacement - Heat Pump Replacement	Ashton Mechanical Ltd.	\$683,544
79	27J - Pre-Construction and Design Services for the Richmond Curling Club Refrigeration System Replacement	Ashton Mechanical Ltd.	\$120,375
80	7065Q - HVAC System Cleaning Services	Reddog Enterprises Ltd. & G.V.A Power Vac	\$360,000
81	6570Q - Supply and Delivery of One (1) 6,500kg CVW Cutaway Van with Dual Rear Wheels	Metro Motors Ltd.	\$136,530
82	7075P - Civil Engineering Consulting Services for Steveston Highway Multi-Use Pathway Phase 2	R.F. Binnie and Associates Ltd.	\$346,865
83	38J - Richmond Curling Club Ice Plant Replacement Construction Services	Ashton Mechanical Ltd.	\$1,056,524
74	39IQ - Fire Hall No. 6 - Heating, Ventilation, and Air Conditioning (HVAC) System Replacement	Davidson Bros Mechanical Contractors Ltd.	\$215,600
85	44J - City Hall Annex and City Hall Space Planning	Ashton Mechanical Ltd.	\$89,753
86	7258P - Consulting Services for the Flood Mitigation Plan Update	Kerr Wood Leidal Associates Limited	\$149,918

87	64S - 2021 Peterbilt Cab and Over and Chassis Model Number 220 (One Single Axle)	Peterbilt Pacific Inc.	\$171,735
88	6688Q - Supply and Delivery of One (1) Regenerative Sweeper Body on a City Provided Cab Over	Vimar Equipment Ltd.	\$214,223
89	7181Q - Supply and Installation of Conduits & Water Service Pipes Using Trenchless Technology and Other Related Civil Works	Ulmer Contracting Ltd.	\$4,548,000
90	6438F - Supply of Sanitary Sewerage Pumps, Parts and Services	Xylem Canada LP	\$ 489,733
91	61S - 6642Q - 2020 Peterbilt Cab and Chassis	Peterbilt Pacific Inc.	\$170,540
92	6642Q - Supply and Delivery of One (1) Dump Body Unit and Outfitting on a City Provided Single Axle Cab and Chassis	Falcon Equipment Ltd.	\$119,044
93	55F - MyRichmond Refractor and Enhancements Fall 2021	Radical I/O Technology Inc.	\$124,800
94	53S - Rail Crossing Warning System	Canadian National Railway Company	\$631,720
95	52IQ - Landscape Plant Material for Garden City Lands Planting Phase 2	East Richmond Nurseries	\$95,583
96	56F - Reconfiguration of Workstations	Heritage Office Furnishings Ltd.	\$98,900
97	7226Q - Steveston Pool - Filter Replacement	DB Perks & Associates	\$272,451
98	7099P MRN and Non-MRN Asphaltic Concrete Paving 2021	LaFarge Canada Inc.	\$4,251,251
99	8014P Garden City Land Remediation Study Project	Stantec Consulting Ltd.	\$86,676
100	7256P Traffic Signal System Maintenance, Upgrading and Installation	Cobra Electric Services	\$ 2,522,201
101	7166NOITC Performance Management Software Support and Maintenance Renewal	Performance Objects Services Inc.	\$250,000
102	6650P Data Visualization and Analytics Solution	TIBCO	\$1,212,008
103	6691Q Supply and Delivery of One (1) Sewer Vacuum Combo Unit on a City Provided Cab and Chassis	Vimar Equipment Ltd.	\$473,852
104	77S-6691Q 2022 Peterbilt Cab and Over and Chassis Model Number 567	Peterbilt Pacific Inc.	\$210,462
105	6689Q Supply and Delivery of Two (2) Conventional Zero Clearance Track Type Excavators	Finning Canada	\$361,180
106	80IQ - South Arm Community Centre - Gymnasium Flooring Replacement	Titan Sport	\$163,470
107	81F - Quarterly and Annual Preventative Maintenance on Chillers	Trane Canada ULC	\$303,248
108	84S - Tempest Annual Support Contract Renewal	CentralSquare Canada Software Inc.	\$103,962



109	6690Q - Supply and Delivery of Six (6) Hybrid and/or Fully Electric Crew Cab Pickup Trucks	Metro Motors Ltd. & Mainland Motors	\$479,985
110	7124NOITC Telestaff Software Support and Maintenance Renewal	Kronos Canadian Systems Inc.	\$180,658
111	7047F – Storm Sewer Construction - 9328 Pendleton Road	Dava Developments Ltd.	\$157,352
112	7088P - Engineering Consulting Services for Infrastructure Modelling Updates	DHI Water and Environmental, Inc. & Kerr Wood Leidal Associates Ltd.	\$366,670
113	7034Q – Supply and Delivery of Adobe Acrobat 2020 Professional Licenses	Microserve	\$114,638
114	6641Q - Supply and Delivery of One (1) Conventional Zero Clearance Track Type Excavator	Finning (Canada)	\$142,803
115	7270J - Thompson Community Hall - Infrastructure Upgrades	Boston Construction Corp.	\$150,429
116	7113Q – Engineering Construction and Commissioning Support for Interim City Centre DEU Servicing Strategy	Kerr Wood Leidal Associates Limited	\$184,824
117	7140Q – Westmark Townhomes South – Energy Transfer Station	Division 15 Mechanical Ltd.	\$156,800
118	7225F – Environmental Consultant Services – McKim Way	WSP Canada Inc.	\$511,000
119	7073P – Cutting & Coring Services	Pacific Cutting and Coring Services Ltd.	\$1,500,000
120	7076Q - Supply and Delivery of Precast Concrete	Langley Concrete & Tile Ltd. & Ocean Pipe	\$827,151
121	6437F - Supply of Drainage Pumps, Parts and Services	KSB Pumps Inc.	\$ 2,510,000
122	7204P - Provision of Public E-Scooter Share Pilot Project	Lime Technology, Inc	n/a
123	7248P - Provision of Janitorial Services for the Community Safety Building and City Centre Community Police Office	Dexterra Integrated Facilities Management & Dynamic Facility Services Ltd	\$1,625,613
	Total Value of all contracts awarded in excess of \$75,000		\$66,917,350



# City of Richmond

## Report to Committee

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**To:** Finance Committee  
**From:** Ivy Wong  
Acting Director, Finance  
**Date:** February 9, 2022  
**File:** 03-0900-01/2022-Vol  
01  
**Re:** Referral Response – Investment Policy and Portfolio Review

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### Staff Recommendation

1. That the staff report titled “Referral Response – Investment Policy and Portfolio Review” dated February 9, 2022 from the Acting Director, Finance be received for information.
2. That staff be directed to conduct the required review and assessment in order to facilitate Council in considering the MFA Long-Term Diversified Multi-Asset Class Fund.

Ivy Wong  
Acting Director, Finance  
(604-276-4046)

REPORT CONCURRENCE		
<b>ROUTED TO:</b>  Sustainability & District Energy	<b>CONCURRENCE</b>  <input checked="" type="checkbox"/>	<b>CONCURRENCE OF GENERAL MANAGER</b>   Acting GM, F&CS
<b>SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b>  	<b>APPROVED BY CAO</b>  

## Staff Report

### Origin

At the February 3, 2020 General Purposes Committee, discussion ensued concerning whether or not the City's investments in some specific Canadian Chartered Banks were socially responsible investments. Council passed the following referral motion:

*That staff review the City's investment policy and portfolio and report back on recommendations.*

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

*Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*

*5.1 Maintain a strong and robust financial position.*

*5.3 Decision-making focuses on sustainability and considers circular economic principles.*

### Findings of Facts

Socially Responsible Investing (SRI) has gained significant momentum and attention in the past decade as investors, portfolio managers and policy makers are working collaboratively in supporting the reform and implementation of a more sustainable global financial system. SRI approach was once an exception, now it is becoming the norm.

The United Nations Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment that supports its international network of investor signatories in incorporating Environmental, Social and Governance (ESG) factors into their investment and ownership decisions. Table 1 provides an overview of the PRI's framework:

 <p><b>ENVIRONMENTAL</b></p> <ul style="list-style-type: none"> <li>■ climate change</li> <li>■ resource depletion</li> <li>■ waste</li> <li>■ pollution</li> <li>■ deforestation</li> </ul>	 <p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>■ human rights</li> <li>■ modern slavery</li> <li>■ child labour</li> <li>■ working conditions</li> <li>■ employee relations</li> </ul>	 <p><b>GOVERNANCE</b></p> <ul style="list-style-type: none"> <li>■ bribery and corruption</li> <li>■ executive pay</li> <li>■ board diversity and structure</li> <li>■ political lobbying and donations</li> <li>■ tax strategy</li> </ul>
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Table 1: PRI's ESG Framework (Source: PRI)

## Analysis

### Independent ESG Review of the City's Investment Portfolio

The City engaged an independent firm to review and assess its investment portfolio's ESG rating. Morgan Stanley Capital International (MSCI) is one of the largest global investment research firms that provides benchmark indices and analytical services to investors. MSCI provides ESG Rating reports to measure a company's resilience to long-term, industry-specific environmental, social and governance (ESG) risks. Issuers are rated on a scale from "AAA" to "CCC" according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to their peers.

The MSCI ESG Rating for the City's December 31, 2021 investment portfolio holdings was determined to be very high at AA (Table 2).

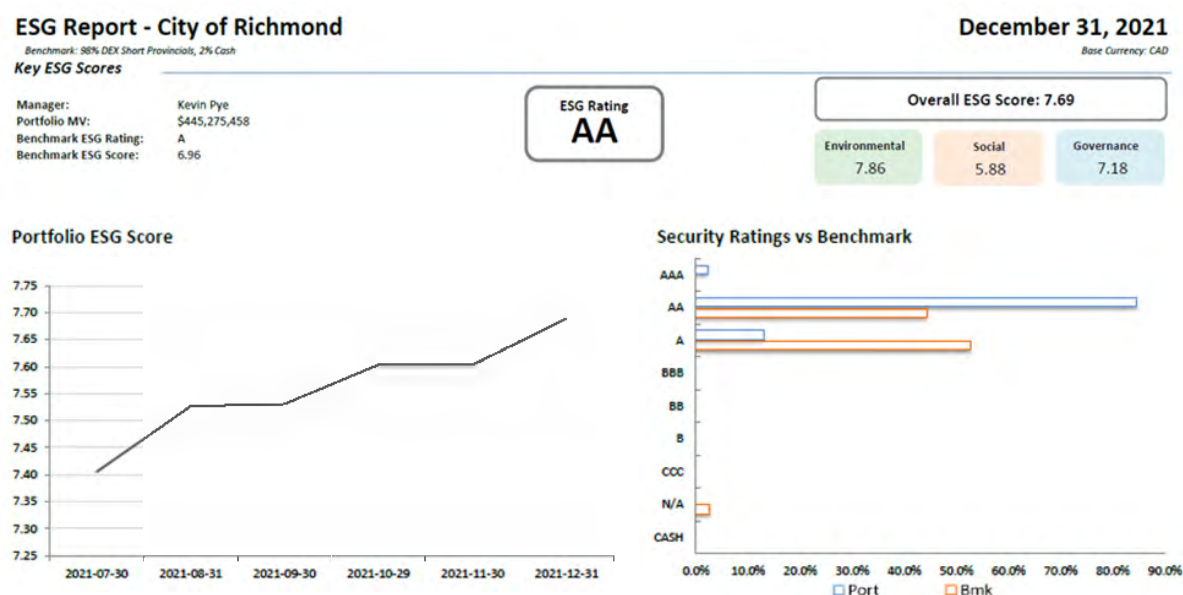


Table 2: City of Richmond's MSCI ESG Rating Report (December 31, 2021)

Some of the factors that contribute to this high ranking include the fact that the City's investment partners are all PRI signatories that follow the UN PRI framework, where ESG considerations, practices and disclosures are incorporated into all investment decisions and processes. The issuers of the City's investments are also required to produce annual disclosures of their corporate accountability and an ESG Report. The majority of the City's investments are in governments and banks, which make up a significant portion of the top holdings of various global ESG indices and ESG funds due to their positive ESG characteristics.

### Continued Global Movement to a Standardized ESG Disclosures Framework

There is a growing demand for improved disclosure of sustainability and ESG information. A multitude of sustainability reporting standards already exist, such as the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). The different frameworks and standards have led to confusion and inconsistent disclosure in the market.

At the 26th United Nations Climate Change Conference that took place in November 2021, a new International Sustainability Standards Board (ISSB) was announced in order to respond to a much-needed consistent approach at a global level. The purpose of the ISSB is to address the disparities in the guidance and frameworks on ESG reporting. A Canadian Sustainability Standards Board will also liaise with the new ISSB to provide Canadian investors with a standardized approach that will guide companies on what sustainability disclosures are required to supplement their financial statements.

### Review of City's Investment Policy 3703

The City's Investment Policy 3703 (Attachment 1) prescribes the fundamental investment objectives that guide the City's investment activities. In the order of importance, the four investment objectives are:

- (i) Adhering to statutory requirements,
- (ii) Maintaining safety of capital,
- (iii) Providing liquidity of investment, and
- (iv) Maximizing possible investment yield after considering the first three objectives.

In supporting the City's commitment in advancing Richmond's climate leadership role, there is opportunity for an additional investment objective to be added to the City's Investment Policy once the ESG standardization becomes mature and recognized. When an industry-accepted ESG standard becomes available, the City will be able to establish a more objective and comprehensive investment mandate in achieving the desired balance between risks, social value creation and financial returns.

Staff will continue to monitor the development of the ESG reporting landscape and will present future amendment to the City's Investment Policy on ESG integration when the standardization of industry-approved ESG definitions, reports and disclosures become established.

### Expanding ESG-Integrated Investment Options through the Municipal Finance Authority (MFA)

Under the *Community Charter*, local governments are permitted to invest in pooled investment funds under section 16 of the *Municipal Finance Authority Act*. The MFA understands local governments' needs and it believes that investment processes that incorporate ESG factors and other broad systemic issue can lead to better investment outcome.

Currently, the MFA offers the following products and pooled investment funds to its members:

- Pooled High Interest Savings Account
- Money Market Fund
- Government-Focused Ultra-Short Bond Fund
- Short-Term Bond Fund
- Fossil Fuel Free Short-Term Bond Fund
- Mortgage Fund
- Diversified Multi-Asset Class Fund (DMAC Fund) – New in January 2022

Under the City's Investment Policy, the City could invest up to 20% of the investment balance in the MFA Pooled Investment Funds. The City is currently not participating in any of the MFA Pooled Investment Funds because, with the exception of the new DMAC Fund, all other available MFA products and pooled funds are similar to the holdings of the City's self-directed investment portfolio.

### *The DMAC Fund*

The MFA, through collaboration with local government finance professionals and MFA's Trustees, created the new managed DMAC Fund as a low-carbon long-term investment option for local governments. As summarized in Table 3 below, the DMAC Fund offers a broad diversification and asset mix, namely by the inclusion of a diversified range of equity and alternative securities that are otherwise not permissible municipal investments under the existing legislation.

Fund Attributes	Description
Fund Manager	Phillips, Hager & North Investment Management
Fund Description	A diversified portfolio of global financial asset classes that is structured to provide long-term asset growth over a 10-year or longer time horizon.
Fund Objective	The primary purpose of the Fund is to invest capital over the long-term to grow at a rate that exceeds inflation, while minimizing risk through asset class selection and diversification.
Investment Limit	Maximum investment limit of 25% of a municipality's eligible reserves for municipalities with a population greater than 10,000 residents.
Asset Diversification	The Fund generally invests in low volatility assets, e.g. global and Canadian equities, bonds, mortgages, infrastructure debt and real estate etc.
Fund Return	The Fund aims to provide risk-adjusted real returns of 3.5% annually in the long-term.
Pre-Qualification Requirements	Due to the long-term nature of the Fund, participation in the Fund will require: <ul style="list-style-type: none"> <li>(i) Local municipalities to update their Investment Policy to include a policy statement regarding provision for monies not needed for 10 years or longer to be eligible under the MFA long-term pooled investment fund, and</li> <li>(ii) Council to provide acknowledgement of designated specific reserves earmarked for such approved long-term investment.</li> </ul>
ESG Integration	The Fund is managed under the United Nations Principals for Responsible Investing (UN PRI) ESG framework.  The Fund will be a low carbon fund with a significant portion of the asset classes employing a strict Fossil Fuel Free screen. The Fund is not designed to be a fully Fossil-Fuel-Free investment portfolio.
Fees	0.33%

Table 3: Key Features of the MFA DMAC Pooled Investment Fund

Staff believe that the new DMAC fund would provide opportunities for increased asset diversification and enhanced investment returns that are unavailable through the City's self-directed permitted investments under the *Community Charter*. It is recommended that Council provide direction to staff to perform the required due diligence in order to facilitate Council in considering the long-term DMAC Fund. If endorsed, staff will report back with recommendations to Council for future consideration.

### **Financial Impact**

None.

### **Conclusion**

The referral response on the City's investment policy and portfolio review be received for information and the MFA DMAC Fund be introduced to Council for further consideration.



Venus Ngan  
Manager, Treasury and Financial Services  
(604-276-4217)

Attachment 1: City's Investment Policy 3703



Page 1 of 7	<b>Investment</b>	<b>Policy 3703</b>
	Adopted by Council: June 25, 2007 Amended by Council: June 8, 2009, November 12, 2013, March 11, 2019	

## POLICY 3703:

It is Council policy that:

### 1. POLICY

The purpose of this policy is to ensure that the City's practices and procedures in the investment of public funds are in compliance with statutory requirements of the *Community Charter*, while ensuring safety of capital, maintaining appropriate liquidity in meeting anticipated cash flow demands, and attaining a reasonable rate of return after taking into account the investment constraints and liquidity requirements.

### 2. OBJECTIVES

Conservative management philosophy is followed in investment activities of all public funds held by the municipality. Four fundamental objectives, in priority order, are as follows:

#### (i) Adherence to Statutory Requirements

Authority for investment guidelines of municipal funds is provided in section 183 of the *Community Charter*.

#### (ii) Safety of Capital

Investment activities will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Preservation of capital will be accomplished through:

- Diversification, as outlined in section 9, and
- Risk control, whereby portfolio components are limited to conservative types of investments as defined in section 8.

#### (iii) Liquidity of Investment

The investment portfolio will be administered to ensure adequate cash flow is available to meet all reasonably anticipated operating and capital requirements.

#### (iv) Return on Investment

The investment portfolio will be designed with the objective of maximizing the rate of return through budgetary and economic cycles, taking into account the investment constraints and liquidity requirements. The Financial Officer will take into account these constraints and objectives in the selection of investments to be included in the City's portfolio. The portfolio will be structured to attain optimum performance results as directed by the Policy, and to create maximum value to the City, net of any costs incurred in the investment process.





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### 3. PRUDENCE

Investments will be made with judgement and care, under circumstances then prevailing, by persons of prudence, discretion and intelligence exercised in the management of other people's affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. Where external managers are engaged to perform trading activity, the external managers will be required to exercise the degree of care, diligence, and skill which a prudent investment counsel would exercise in similar circumstances. The Financial Officer acting in accordance with this policy and exercising due diligence will be relieved of personal responsibility for an individual security's credit risk or market price changes.

### 4. AUTHORIZATION

Authority to manage the City's investment program is derived from section 149 of the *Community Charter*, as follows:

"Financial Officer

One of the municipal officer positions must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:

- a) receiving all money paid to the municipality;
- b) ensuring the keeping of all funds and securities of the municipality;
- c) investing municipal funds, until required, in authorized investments;
- d) expending municipal money in the manner authorized by the council;
- e) ensuring that accurate records and full accounts of the financial affairs of the municipality are prepared, maintained and kept safe;
- f) exercising control and supervision over all other financial affairs of the municipality."

The Financial Officer is the portfolio administrator and has the ultimate responsibility for the prudent investment of the portfolio. The Financial Officer may retain a professional investment manager(s) ("Investment Manager(s)") to provide investment advice and carry out the instructions of the Financial Officer.

The Financial Officer will:

- administer the Policy;
- review the Policy annually, which will include a reassessment of the fund's objectives, the benchmark portfolio and the impact of any changes in liquidity requirements if necessary;
- select the Investment Manager(s) and City's custodial bank;
- regularly review the quantitative and qualitative performance of the Investment Manager(s) including an evaluation of the rates of return, an analysis of the areas where the Investment Manager(s) added or reduced value, and a review of the Investment Manager(s) in the context of the criteria for their selection;



Page 3 of 7	<b>Investment</b> Adopted by Council: June 25, 2007 Amended by Council: June 8, 2009, November 12, 2013, March 11, 2019	<b>Policy 3703</b>
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- be responsible for regularly monitoring the asset mix of the portfolio and taking the action necessary, to correct any breaches of applicable legislation or the permitted asset mix ranges set out in this Policy;
- provide information on significant cash flow changes to the Investment Manager(s);
- be responsible for the oversight of any professional Investment Manager(s).
- have the authority to appoint and terminate the Investment Manager(s).

The Investment Manager(s) will:

- provide the Financial Officer with monthly reports of actual portfolio holdings, detailing each class of assets and how they conform to policy maximums as defined in section 8 and 9;
- present to the Financial Officer a quarterly review of investment performance, including an explanation of any shortfalls of their investment results compared to the investment objectives;
- provide estimates of future returns on investments and review proposed investment strategies that may be used to meet the objectives;
- attend a meeting with the Financial Officer at least once each year to review the results they have achieved;
- inform the Financial Officer promptly of any element of the Policy that could prevent attainment of the Plan's objectives;
- give prompt notice to the City's custodial bank of all purchases and sales of securities;
- report all investment transactions quarterly to the Financial Officer;
- provide the Financial Officer with a quarterly certificate of compliance with the Policy for the quarter just ended.

## 5. ETHICS AND CONFLICT OF INTEREST

The Investment Manager(s), Financial Officer and any individuals involved in the investment process will refrain from personal business activity that could conflict with the proper execution of the investment program or impair ability to make unbiased investment decisions. Parties will disclose any material personal financial interest in investments involved or in financial institutions that conduct business with the City. Any deviation is to be reported to the City Solicitor immediately.

## 6. IMPLEMENTATION

An active or passive investment style may be adopted, depending on suitability of each in meeting the City's investment objectives.



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## 7. AUTHORIZED INVESTMENT DEALERS AND INSTITUTIONS

The Investment Manager(s) will be registered with a regulated securities commission. They will be responsible for maintaining a list of approved financial institutions and brokers/dealers authorized to provide investment services. An annual review of this list will be completed by the Investment Manager(s), whereupon, the recommendations for any additions and deletions will be discussed and approved by the Financial Officer.

## 8. PERMITTED INVESTMENTS

Under the *Community Charter* Section 183, a municipality may invest money that is not immediately required in one or more of the following:

- a) securities of the Municipal Finance Authority;
- b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c) securities of Canada or of a province;
- d) securities guaranteed for principal and interest by Canada or by a province;
- e) securities of a municipality, regional district or greater board;
- f) investments guaranteed by a chartered bank;
- g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- h) other investments specifically authorized under this or another Act.

The following table sets out the City's permitted investments, minimum credit rating requirements and their limits:

Asset Class	Dominion Bond rating services limited (DBRS) <sup>1</sup> Short Term / Long Term Rating	Limits per issuer (as a % of total portfolio)
<b>Federal Issuers</b>		
Securities issued or backed by the Government of Canada	No minimum requirement	No limit
<b>PROVINCIAL ISSUERS</b>		
All Provinces	R-1 (high) / AAA, AA (high), AA	25% per province
All Provinces	R-1 (middle) / AA (low)	20% per province
All Provinces	R-1 (middle) / A (high)	10% per province
All Provinces	R-1 (low) / A, A (low)	5% per province
<b>TOTAL PROVINCES</b>		Maximum 50%
<b>Chartered Banks</b>		
Schedule I, II & III banks	R-1 (high) / AAA, AA	15 % per bank
Schedule I, II & III banks	R-1 (middle) / AA, AA (low)	10 % per bank
Schedule I, II & III banks	R-1 (middle) / A (high)	5 % per bank
Schedule I, II & III banks	R-1 (low) / A (low)	3 % per bank
<b>TOTAL CHARTERED BANKS</b>		Maximum 50%



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B.C. credit unions	
Credit unions with total assets <sup>2</sup> more than \$10 billion	The greater of: (i) 10% of total portfolio balance per credit union, or (ii) \$75 million per credit union
Credit unions with total assets <sup>2</sup> between \$500 million and \$10 billion	The greater of: (i) 5% of total portfolio balance per credit union, or (ii) \$50 million per credit union
Federal credit unions	
Deposit term cannot exceed 1 year if long-term DBRS credit rating of A (low) is not attained <sup>3</sup>	
Federal credit unions with: • Long-term DBRS credit rating under A (low); and • Short-term DBRS credit rating higher than R-1 (low)	The greater of: (i) 5% of total portfolio balance per credit union, or (ii) \$50 million per credit union
Federal credit unions with: • Long-term DBRS credit rating under A (low); and • Short-term DBRS credit rating R-1 (low)	The greater of: (i) 3% of total portfolio balance per credit union, or (ii) \$30 million per credit union
<b>TOTAL CREDIT UNIONS</b>	Maximum 30%
Pooled Investments	
Pooled funds	Maximum 20%
OTHER SECURITIES	
Municipality, Regional District or Greater Board	Maximum 10%

<sup>1</sup> If DBRS credit rating is not available, the City can use an equivalent credit rating provided by an approved credit rating organization such as Standard & Poor's Corporation (S&P) and Moody's Investors Services Inc. (Moody's)

<sup>2</sup> Based on latest audited financial statements

<sup>3</sup> Federal credit union that has long-term DBRS credit rating A (low) or higher will follow the equivalent per issuer limits under the Chartered Bank section for its long-term and short-term investments, where the total investments in all credit unions cannot exceed a combined total of 30% of the City's investment portfolio.

## 9. DIVERSIFICATION

The City recognizes that prudence in investment selection is essential to minimize interest rate and credit risk.

- Interest Rate Risk – At each interim and annual reporting periods, the Investment Manager(s) will monitor the performance of the cash and bond components of the portfolio against the selected benchmarks. The Investment Manager(s) will also assess the duration of the bond components of the portfolio to ensure they fall within a year and a half of the duration of the benchmark against which bond performance is measured. The 91-Day T-Bill Index will be the basis for benchmarking the cash component of the portfolio. For the bond components of the portfolio, the indices within the FTSE Canada Bond Index, or its equivalent prevailing index as amended from time-to-time by the provider of the benchmarks, will be selected as the benchmarks. Selection of the appropriate benchmark for each bond component will



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be based on the index with the duration closest to the duration of the bond component being evaluated. The following indices fall within the FTSE Canada Universe Bond Index:

FTSE Canada Universe All Government Index  
FTSE Canada Short Term All Government Index  
FTSE Canada Mid Term All Government Index  
FTSE Canada Short/Mid All Government Index  
FTSE Canada Long Term All Government Index

- Credit Risk – The Investment Manager(s) will minimize credit risk by investing in conservative types of instruments. A minimum of 90% of the portfolio's market value is required to carry a DBRS credit rating of A (high) or higher or the equivalent R1-middle or higher.

Diversification will be achieved through:

- Setting limits on the amount of investments with a specific maturity, from a specific issuer or a specific sector;
- Investing the targeted amount of assets in liquid investments to ensure funds are readily available; and
- Selecting assets with varying maturity terms.

In addition, the Investment Manager(s) will engage in the rebalancing of the portfolio to adhere to parameters as defined in this policy or any addendums agreed upon by the Financial Officer and the Investment Manager(s).

## 10. COMPETITIVE BIDS

The Financial Officer or Investment Manager(s) will solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data.

## 11. SAFEKEEPING AND CUSTODY

All transactions will be executed by the delivery-versus-payment basis to ensure securities are deposited in an eligible financial institution with the release of funds. Settlement will take place at the main branch of the City's custodial bank in any Canadian city. Securities will be held by the City's custodial bank or alternatively, will be registered with the Central Depository for Securities (CDS).

- **Authorization:** The custodial bank will not accept delivery or payment without prior authorization and instructions for the City.



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- **Evidence:** All transactions traded in-house will be evidenced by a contract advice from the investment dealer, as well as a settlement advice from the custodial bank.
- **Registration:** All securities that are in registerable form will be registered in the name of the City of Richmond.
- **Repurchase Agreements:** In addition to all the terms and conditions above, the City's custodial bank will be responsible for ensuring that the repurchase agreement for overnight transactions has been duly executed.

## 12. INTERNAL CONTROLS

External audits will be performed annually, including an assessment of investment effectiveness and risk management.

## 13. PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain an above market benchmark, taking into account the City's investment risk constraints, cash flow requirements, and active management strategy. This policy recognizes that the reliability of performance evaluation (i.e. comparison to benchmarks) increases with the duration of the measurement period.

## 14. REPORTING

The Financial Officer will prepare an investment report on a quarterly basis to Council. The report will provide a summary of the securities held at the end of the reporting period including issuer diversification and market values.

The Investment Manager(s) will conduct at each quarter end a review of the portfolio, including strategy employed, duration, liquidity, and a forecast of upcoming market conditions.

## 15. ADOPTION AND REVIEW

The policy will be reviewed annually by the Financial Officer, and any suggested modifications will be presented to Council for adoption.



# City of Richmond

## Report to Committee

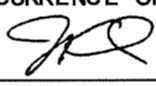

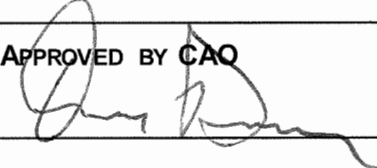
**To:** Finance Committee  
**From:** Ivy Wong  
Acting Director, Finance  
**Re:** **2021 Investment Report**

**Date:** February 9, 2022  
**File:** 03-0900-01/2022-Vol  
01

### Staff Recommendation

That the staff report titled "2021 Investment Report" dated February 9, 2022 from the Acting Director, Finance be received for information.

Ivy Wong  
Acting Director, Finance  
(604-276-4046)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER  Acting GM, F&CS	
SENIOR STAFF REPORT REVIEW	INITIALS: 
APPROVED BY CAO 	

## Staff Report

### Origin

The purpose of this report is to provide Council with an annual update of the City of Richmond's (the City's) cash and investment position and performance for fiscal year 2021 along with a general market update.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

*Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*

*5.1 Maintain a strong and robust financial position.*

### Analysis

#### Summary of the City's Cash and Investment Position

The City's cash and investment balance was approximately \$1.36 billion as at December 31, 2021. The amount is comprised of the City's working capital for ongoing operational obligations, as well as amounts that are specifically set aside into reserves and liability accounts for future and restricted uses.

The aggregate net impact of the financial activities are reflected in the City's assets (cash and investment), liabilities (deposits and accounts payable that are payable on demand) and equity (reserve balances). All investment activities have been conducted in accordance with the City's Investment Policy 3703 throughout the year.

All funds are invested in a diversified range of safe and high credit quality securities (DBRS credit rating A high or better) and principal-guaranteed investment products as permitted under Section 183<sup>1</sup> of the *Community Charter*.

Issuer Category	Investment Type	Amount	% of Total
Chartered Banks	Cash and Short-Term Deposits	\$ 672 million	49%
Provincial Governments	Fixed Income Bonds	\$ 282 million	21%
Chartered Banks	Fixed Income Bonds	\$ 159 million	12%
Chartered Banks	Term Deposits	\$136 million	10%
Credit Unions	Term Deposits	\$ 109 million	8%
Total Cash and Investment Balance (December 31, 2021)		\$ 1.36 billion	100%

Table 1: Summary of Cash and Investment Holdings by Issuer Category as of December 31, 2021

<sup>1</sup> Under the legislation, local governments are only permitted to invest funds in securities and principal-guaranteed investments of Canada, province, municipality or regional district, chartered bank, credit union, as well as securities and pooled investment funds of the Municipal Finance Authority (the MFA).



### 2021 Investment Performance

The City's investment portfolio performance is largely driven by the market interest rate conditions (Table 2. Canadian Yield Curve). The historical low interest rate environment since the start of the COVID-19 pandemic almost two years ago has suppressed investment portfolio yields for fixed income investments and term deposit products. In 2021, the City earned an overall weighted average investment yield of 1.30% from its short-term and long-term portfolios.

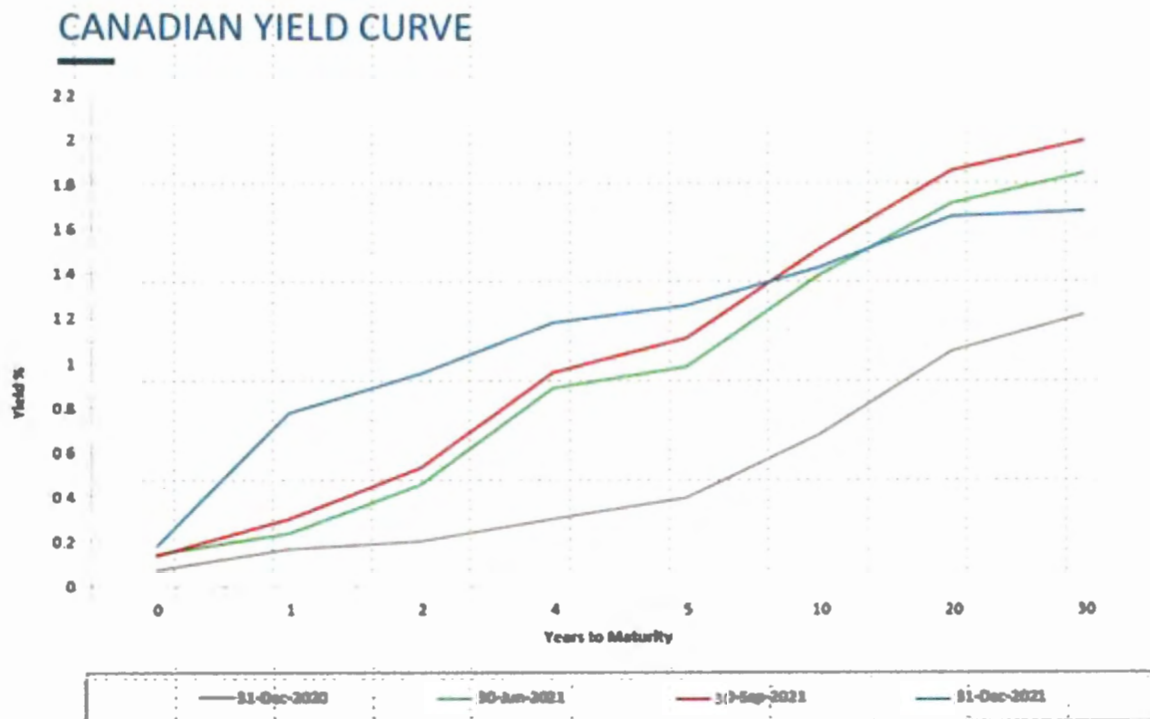


Table 2: Canadian Yield Curve Movements (Dec 31, 2020 to Dec 31, 2021)

### *Short-Term Funds*

Due to the competitive and favourable yields on short-term and cashable products, along with the expected increase in interest rates, the City has strategically invested in short-term and high interest savings products in order to optimize the overall interest income for the City's portfolio.

As a result of this yield maximization strategy, the City held approximately \$672 million in short-term deposits as of December 31, 2021. The short-term fund contains primarily of cash balances, cashable and short-term deposits and high interest savings accounts that are fully liquid with terms no more than 365 days. The City's short-term fund earned an effective yield of 1.05% which exceeds the FTSE Canada T-Bill Index benchmark.

### *Long-Term Investment Portfolio*

The City's long-term investment portfolio balance of \$687 million is comprised of a diversified range of fixed income provincial and bank bonds with straddling maturities between 1 to 7 years (with average term to maturity of 2.0 years). The 2021 average yield to maturity earned from the coupon income of these fixed income products was 1.60%. The investment return of the City's fixed income portfolio is consistent and slightly outperforms the comparable FTSE Canada Short Term Provincial Bond Index benchmark.

### Interest Rate Outlook for 2022

The Bank of Canada (the Bank) kept the overnight interest rate unchanged in 2021 at the historical low level of 0.25%, which was the same level since the start of the COVID-19 pandemic in March 2020. Despite the recent winter surge of Omicron variant cases, the global economy continues to experience strong recoveries while historical high rates of inflation are occurring. The Bank signaled in their January 2022 interest rate announcement that future interest rate hikes are expected as the Bank moves to tighten monetary policy to curb inflation.

An economist's forecast is shown in Table 3 below, which projects that the Bank may start raising interest rates in Q1 2022, with projection that multiple interest rate hikes may follow.

Interest Rates	Spot Rate Jan-18	2021				2022				2023			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
CANADA													
Overnight Target Rate	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75	1.75	1.75
3-mth T-Bill Rate	0.47	0.09	0.15	0.12	0.16	0.55	0.83	1.10	1.38	1.63	1.75	1.75	1.75
2-yr Govt. Bond Yield	1.28	0.22	0.45	0.53	0.95	1.45	1.60	1.70	1.80	1.85	1.85	1.85	1.85
5-yr Govt. Bond Yield	1.70	0.99	0.97	1.11	1.25	1.70	1.80	1.90	1.95	1.95	1.95	1.95	1.95
10-yr Govt. Bond Yield	1.89	1.55	1.39	1.51	1.42	1.90	2.00	2.10	2.20	2.30	2.30	2.25	2.20
30-yr Govt. Bond Yield	2.11	1.98	1.84	1.99	1.68	2.20	2.30	2.40	2.50	2.60	2.60	2.55	2.50
10-yr-2-yr Govt Spread	0.61	1.33	0.94	0.98	0.47	0.45	0.40	0.40	0.40	0.45	0.45	0.40	0.35

Table 3: Canadian Interest Rate Forecast (Source: January 2022 TD Dollar and Sense Economic Report)

The City's investment portfolio is strategically positioned with an overweight of liquid and short-term cash and high interest savings products. As interest rates rise, the City will have the opportunity to reinvest available funds at higher interest rates.

### **Financial Impact**

None.

### **Conclusion**

All investment activities have been conducted in compliance with the City's Investment Policy 3703. The City continues to hold and maintain a well-constructed and diversified portfolio with high credit quality in meeting the fundamental investment objectives of capital preservation, liquidity, diversification of credit risks and maximizing yield on investments.

A handwritten signature in blue ink, appearing to read 'Venus Ngan', is positioned above the printed name.

Venus Ngan  
Manager, Treasury and Financial Services  
(604-276-4217)